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SUBJECT: NANJING SCHOLARS UPBEAT ON CHANCES FOR CONTINUED
CROSS-STRAIGHT PROGRESS

CLASSIFIED BY: Simon Schuchat, Deputy Principal Officer, U.S.
Consulate General, Shanghai, Department of State.
REASON: 1.4 (b), (d)

¶1. (S) Summary: Nanjing scholars express optimism that cross-strait relations can continue to develop at a brisk pace, though cautious on the possibility of short-term steps toward political integration or a "diplomatic truce." Chinese President Hu Jintao's flexibility on Taiwan nomenclature and cross-strait interaction has been a key factor in warming bilateral ties. One contact alleges that Hu has established a de facto hotline to Taiwan Kuomintang (KMT) Party Chairman Wu Po-hsiung, and perhaps also honorary Chairman Lien Chan, and speak on a weekly basis. Taiwan leader Ma Ying-jeou has been unimpressive on the Taiwan domestic political stage, but is conducting a relatively sophisticated foreign policy. Meanwhile, new Democratic Progressive Party (DPP) Chairwoman Tsai Ying-wen may be making some headway in rebuilding the minority party.
END SUMMARY.

¶2. (C) During an August 14-15 visit to Nanjing, Poloffs met several local experts on Taiwan affairs and other academics for an update on the island's domestic politics, the current state of cross-strait relations, and prospects for continued dialogue. Our interlocutors included: Cui Zhiqing and Liu Xiangping, Center for Taiwan Research, Nanjing University; Wu Shu, Shao Jianguang, and Deng Wei, Nanjing Party Institute of the Communist Party of China; and Gu Su, Professor of Philosophy and Law, Nanjing University.

CROSS-STRAIT RELATIONS

¶3. (C) The scholars express optimism that cross-strait relations can continue to develop at a brisk pace, notably on the economic front, while admitting political integration is a longer-term prospect. Deng Wei regards Chinese exchange with Taiwan as a natural phenomenon, noting that Mainland youth are already quite familiar with Taiwan products and popular culture. At the same time, China continues to attract substantial Taiwan investment and members of the island's business community, a powerful sign of China's economic importance to Taiwan. Wu Shu views economic development and exchange across the Strait as a precursor to meaningful political progress. Because China and Taiwan stand to gain so much from each other economically, the latter can be deferred.

¶4. (C) Meanwhile, quick progress on cross-strait flights seems likely in the short-term. Gu Su goes so far as to predict that

existing cross-Strait routes will be made permanent within two months, while direct flights (i.e., those not required to pass through Hong Kong airspace) will follow very quickly thereafter.

Cui Zhiqing claims that Beijing has sought direct flights "for nearly thirty years," and that support from the international business community, in addition to Taiwan leader Ma Ying-jeou's flagging domestic approval, will compel Beijing and Taipei to reach agreement. Regarding the small number of Chinese tourists that have traveled to Taiwan thus far, Deng believes difficult application procedures on the Mainland side, as well as the Olympic Games, are largely to blame. Still, the former will improve with time and the latter will end shortly, so neither factor is likely an enduring problem.

DIPLOMATIC TRUCE

15. (C) The scholars are more circumspect on the possibility of a "diplomatic truce." Cui, for instance, finds it difficult to understand how China might respond to a country, such as Nicaragua or Paraguay, which sought to establish relations with Beijing on its own initiative, without China appearing to break the truce. Liu Xiangping asserts that the Chinese leadership is split on this issue, with Chinese President Hu Jintao inclined towards a truce and the Ministry of Foreign Affairs (MFA) taking a harder line. At the same time, the MFA is reluctant to push Taiwan too hard; if Ma were voted out of office in 2012, after four years of cross-Strait ceasefire, China would be faced with a calamity. Liu believes the Ministry will follow Hu's lead unless Taiwan suddenly establishes a new foreign relationship.

16. (C) Liu said that although "dollar diplomacy" originated with Taiwan, the island can no longer realistically compete with

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China given the Mainland's economic clout and monetary advantage. At present, 168 countries recognize the People's Republic of China (PRC) while only 23 recognize Taiwan. This margin is due in no small part to the fact that, even today, Beijing devotes 80 percent of its diplomatic resources to Taiwan-related issues and concerns, Liu claims. Ma's calls for a truce are understandable because his is the weaker position, concludes Liu. Adopting a confrontational cross-Strait posture would only undermine Ma's position further.

17. (C) Wu asserts that even if the two sides agree to abandon dollar diplomacy, Beijing will continue to insist on its one-China policy, which international society has increasingly come to recognize. China is willing to discuss anything with Taiwan on the basis of this principle, but certainly cannot allow for Taiwan independence. For this reason, former Taiwan leader Chen Shui-bian was a "political hooligan," Wu contends, for trying to remove Taiwan from the one-China context, against the advice of other island leaders and the United States.

CHINA'S NEW FLEXIBILITY

18. (S) Gu argues that Hu Jintao's flexibility on cross-Strait interaction and Taiwan nomenclature has been a key factor in warming bilateral ties. During negotiations on cross-Strait flights, for example, the Taiwan side demanded that Nanjing -- the former Republican capital with strong KMT ties -- be added to the list of participating Mainland cities at the last minute.

Despite this eleventh-hour tactic, Beijing quickly accepted to ensure the deal went through. Gu also alleges that Hu has established a de facto hotline to Taiwan Kuomintang (KMT) Party Chairman Wu Po-hsiung, and perhaps also honorary Chairman Lien Chan, and they speak on a weekly basis.

19. (C) Gu recalls another disagreement that surfaced in July, when some Mainland entities began referring to Taiwan's Olympic team as "Zhongguo Taipei" (a choice of words that implies PRC sovereignty over Taiwan) rather than the previously-accepted "Zhonghua Taipei" (which merely suggests a shared national heritage). Gu traces China's decision to quickly concede the

point, after Taiwan protested, to Hu's personal intervention. Remarking on how quickly the Chinese public seemed to accept this shift, Gu notes that many Chinese now routinely refer to the Taiwan Olympic team as "Team Zhonghua." Shao Jianguang agrees Beijing acted pragmatically on the Olympic nomenclature dispute, and believes such concessions are indicative of the hopes China attaches to improved ties with Taiwan.

MIXED PERFORMANCE BY MA

¶10. (C) The scholars assert that Ma's first months as Taiwan president have been unimpressive at home, but they regard his foreign policy as fairly sophisticated. Cui considers Ma a knowledgeable, Harvard University graduate who was able to quickly climb the KMT ladder. Still, Ma faced few challenges in his ascent, resulting in a leader who may be "proud but not tough." His eight-year record as Taipei mayor is unremarkable, and his popularity never approached the level of Chen Shui-bian when he was mayor of Taipei, or Frank Hsieh when mayor of Kaohsiung. As a result, these Nanjing scholars say they themselves and many in Taiwan question Ma's abilities, and that Ma's election was achieved less on his own merits than it was the product of widespread dissatisfaction with the Democratic Progressive Party (DPP).

¶11. (C) Gu concedes that Ma's domestic performance has led many in his own party to turn against him. Still, Ma has adopted an appropriately cautious stance in his international conduct and overseas travel plans, taking pains to avoid any comments or gestures that could jeopardize cross-Straits ties. Liu similarly regards Ma's low-key trip to South America and U.S. transits as a "wise decision" which may help Ma achieve better results in the international sphere than Chen was able to.

RETURN OF THE DPP?

¶12. (C) Liu notes that new DPP Chairwoman Tsai Ying-wen appears to be making some headway in rebuilding the minority party. While Tsai seems to have made little progress toward eliminating factions within the DPP, her attempts to woo former DPP members back to the party may fare better, especially given Chen

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Shui-bian's recent legal troubles. Liu describes that scandal as a symbol that the Chen era in Taiwan politics is over, one that could help Tsai in her efforts redirect the DPP. Cui agrees that Chen has provided Tsai with a unique opportunity to consolidate her role as head of the party. With Taiwan local elections next year, the sooner the DPP cuts its ties with Chen, the better. Liu also said that Tsai had visited the Mainland once--October 14-18, 1998--to participate in unofficial talks with the PRC in Shanghai as an advisor to Koo Chen-fu, then Taiwan's lead cross-Straits negotiator.

¶13. (C) Relations between the DPP and the KMT, however, remain combative. Cui likens the recent change in administration to a "Cultural Revolution" for Taiwan, and questions what the future holds should the DPP regain power. Cui points out that the DPP remains unwilling to accept the 1992 Consensus (i.e. the tacit understanding between Beijing and Taipei deferring the issue of Taiwan's political status, and the basis for the current cross-Straits rapprochement). Moreover, Cui and Liu question whether the DPP would even honor any decisions made by the Taiwan authorities under a KMT administration.

COMMENT

¶14. (C) Despite Nanjing's fair distance from Shanghai and its suburbs -- perhaps a more central location for cross-Straits investment and economic exchange -- the former capital seems to maintain substantial connections to Taiwan, particularly to the KMT and the Taiwan business community in China. Cui and Liu claim the Center for Taiwan Research receives numerous Taiwan

visitors every year. These include DPP party officials, most recently Frank Hsieh's and Yeh Chu-lan's secretaries. KMT members, including Legislative Yuan members, are more numerous and more frequent visitors to Nanjing, Cui and Liu said, and the Center often meets these visitors and arranges visits for them to Republican China sites and the tomb of Sun Yat-sen. Given the scholars' close ties to Chinese and Taiwan contacts, their views provide a peek at what may be possible on cross-Strait affairs, even if the scope and timing of their predictions prove inexact.

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